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ACCEPTED
Legal 2031-K-05

C. DUKES SCOTT
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FILED
DW-18-05

FLORENCE P. BELSER
GENERAL COUNSEL

January 14, 2005

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Midlands Utility, Inc. for an approval of New Schedule of Rates and Charges for Sewage Service provided to its customers in Richland, Lexington, Fairfield and Orangeburg Counties.
PSC Docket No.: 2004-297-S

Dear Charles:

For your docket, please find enclosed a copy of the Office of Regulatory Staff's First Continuing Data Request which was served on counsel for Midlands Utility, Inc. Also, if you would please date stamp the extra copy and return it to me via courier.

Please let me know if you have any questions.

Sincerely,

Wendy B. Cartledge
Wendy B. Cartledge

WBC/cc
Enclosures
cc: Charles Cook, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2004-297-S

IN RE: Application of MIDLANDS)
UTILITY, INC. for an Approval)
Of New Schedule of Rates and)
Charges For Sewage Service)
Provided to its Customers in)
Richland, Lexington, Fairfield and)
Orangeburg Counties.)
_____)

**Office of Regulatory Staff's First
Continuing Data Request**

INSTRUCTIONS

The Office of Regulatory Staff hereby requests, pursuant to 26 S.C. Code Regs. 103-853 (Supp. 2003), that you answer the following data requests in writing and under oath within ten (10) days after service at the Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. If you are unable to respond to any of the data requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these data requests, "identify" means, when asked to identify a person, to provide the full name, title, and current address and telephone number of the person, and, if his full name is unknown, a complete physical description giving such person's sex, race, approximate age, height, and weight. When asked to identify a document, "identify" means to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has custody of it. When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not

limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this data request, "address" means home address, mailing address, and business address.

Wherever in this data request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

IT IS HEREIN REQUESTED:

- A. That all information shall be provided to the undersigned in the format as requested.
- B. That all responses to the requests below be labeled using the same numbers as used herein.
- C. That each of the enumerated data requests be reproduced at the beginning of each of the responses.
- D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the data request in the appropriate sequence. However, if the requested information has been produced in response to data requests in PSC Docket No. 2004-212-S or PSC Docket No. 2004-259-S, reference may be made to the appropriate docket and data request.
- E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.
- F. That all exhibits be reduced to 8 ½" x 11" format, where practical.
- G. That the requested information be bound in ring binders (loose leaf notebooks) or otherwise suitably bound.
- H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each response be indicated.

- I. That the Company provide to the Office of Regulatory Staff two copies of the responses to this data request as soon as possible but no later than ten (10) days after service thereof.
- J. If the response to any data request is that the information requested is not currently available, please state when the information requested will be available.
- K. This data request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.

QUESTIONS

- 1.1 Describe the construction and/or upgrades proposed or taking place at Midlands Utility, Inc.
- 1.2 With regard to the loan agreement referenced in the Application on page 4 in paragraph 7:
 - a. Has the loan been approved and been finalized?
 - b. Have the funds from the loan agreement been received?
 - c. What is the loan amount?
 - d. What is the interest rate?
 - e. What is the loan period in months?
 - f. Who is the lender?
- 1.3 Explain the “conditional” nature of the loan as referenced in the Application on page 4, paragraph 8.
- 1.4 List the increased “operating expenses” Midlands Utility, Inc. has “experienced” as set forth in Paragraph 2 of the Application.
- 1.5 Justify Midlands Utility, Inc.’s “anticipation” that expenses will increase as set forth in Paragraph 2 of the Application.
- 1.6 Provide information on the following:
 - a. How many taps have been connected to the systems owned by Midlands Utility, Inc. from inception of the system to the present?
 - b. How much revenue from tap fees has been collected from customers from the inception of the system to the present?
 - c. What is the maximum number of taps that can be installed on the present system?
 - d. How many taps were provided during 2000, 2001, 2002, 2003, and 2004?
 - e. How many taps do you anticipate making per year during the next five years?
 - f. What were the total costs expensed for taps each year during 2000, 2001, 2002, 2003, and 2004?

- g. What were the total costs capitalized for taps for each year during 2000, 2001, 2002, 2003, and 2004?
- 1.7 List and describe financing costs referred to in paragraph 3 of the Application.
- 1.8 Explain why completion of the proposed construction will cause rates to exceed the rates charged during construction.
- 1.9 List the names and business titles of all people who provided information for preparation of the Application.
- 1.10 List the names and business titles of all people who provided information for preparation of the Application exhibits. Indicate who calculated the numbers for each exhibit and list the appropriate exhibit next to the individual's name.
- 1.11 Provide the beginning and ending dates or estimated beginning and ending dates for the phases of construction.
- 1.12 List the number of residential and commercial customers as of June 30, 2004 and January 1, 2005.
- 1.13 What were officer and employee salaries in 1997?
- 1.14 Where is the performance bond accounted for in the financial information?
- 1.15 Provide justification for the rates during and after construction listed in Exhibit 1.
- 1.16 Is the state's tax credit for pollution control equipment being claimed by Midlands Utility, Inc. during the test year, during construction, and after construction? If so, what is the tax credit (or expected tax credit), and where is it included in the financial information submitted with the Application?
- 1.17 Is the state's tax credit for the construction or improvement of an infrastructure being claimed by Midlands Utility, Inc. during the test year, during construction, and after construction? If so, what is the tax credit (or the expected tax credit), and where is it included in the financial information submitted with the Application?
- 1.18 List employees employed during June 30, 2000, 2001, 2002, 2003, and 2004, including their position, date of hire, salary, hours worked per week, exempt/non-exempt status, and duties.
- 1.19 List state regulatory commission expenses for the test year of 2003 and for 2004, including legal expenses and postage.

- 1.20 Describe and detail all construction and/or current system improvement options Midlands Utility, Inc. researched, and why these options were not chosen. Provide detail cost comparison information.
- 1.21 Describe all financial transactions between DSI, Inc., Bush River Utilities, Inc., and Midlands Utility, Inc. for the twelve months ended June 30, 2000, 2001, 2002, 2003, and 2004.
- 1.22 Provide annual expenses for Midlands Utility, Inc. for the twelve months ended June 30, 2000, 2001, 2002, 2003, and 2004 for the following accounts:
- a. salaries & wages
 - b. purchased power
 - c. purchased sewage treatment
 - d. maintenance & repair
 - e. chemicals
 - f. office supplies & other office expenses
 - g. regulatory commission expenses
 - h. pension & other benefits
 - i. rent
 - j. insurance
 - k. office utilities
 - l. miscellaneous
 - m. legal expenses and other professional services
- 1.23 Provide the balance of Accrued Interest on Customer Deposits as of June 30, 2004.

The following questions reference Exhibit 2 of the Application.

- 1.24 Submit detailed working papers breaking down the “base year” revenue, the “during construction” revenue, and the “after construction” revenue of Midlands Utility, Inc.
- 1.25 What debts or other obligations of Midlands Utility, Inc. generated Interest Expense of \$2,749.00 for the test year? Please list the amount of interest attributed to each obligation.
- 1.26 Provide a detailed breakdown for the “Salaries – Other” category containing the amounts \$156,550; \$160,000; and \$160,000, respectively. List the employee’s name, amount paid and to be paid to the employee, and the duty performed by the employee.
- 1.27 What additional debts or other obligations will Midlands Utility, Inc. assume or expect to assume necessitating an increase in “interest expenses” to \$35,505 during construction and \$40,485 after construction?
- 1.28 To what assets and in what amounts does the Depreciation Expense as shown in the Income Statement apply? Please identify the useful life of each asset.

- 1.29 Why does the Depreciation Expense increase during construction and after construction?
- 1.30 Explain the proposed decreases in expenses for Chemicals and detail how the decreases were calculated.
- 1.31 Provide justification for the proposed decrease in Professional services and include detail of the services being provided, including copies of invoices from the service providers for the test year.
- 1.32 What expenses are included in Utilities? Explain why this amount decreases during construction and increase after construction.
- 1.33 Provide invoices or documentation concerning “rate case expenses.”
- 1.34 What amortization period is being proposed for rate case expenses? Provide justification for the proposed amortization period.
- 1.35 During the test year, the period during construction and the period after construction, what items are included in the expense category “Other Operating Expense” and in what amounts?
- 1.36 Provide details and any documentation regarding the DHEC fines. For what reasons and in what amounts were the fines issued? How is the \$30,451, \$40,000, and the \$20,000 amount in the application determined? Provide a copy of the orders dictating the fines. Why are there projected “DHEC Fines” listed during construction and after construction? Does Midlands Utility, Inc. have any outstanding noted violations by DHEC? If so, what are they and provide a copy of the documentation by DHEC that outlines these potential violations.
- 1.37 Provide justification for why the fines should be included as an allowable expense for Midlands Utility, Inc. in determining its rates for sewer service.
- 1.38 Provide an Income and Expense calculation sheet for Midlands Utility, Inc.
- 1.39 What is the Single Family Equivalent for Midlands Utility, Inc.? Provide details as to how this number is determined.
- 1.40 What expenses are included in Vehicle Expenses? Explain why this amount increases during construction and after construction period. What type(s) of vehicles does this include?

[End of questions referencing Exhibit 2]

- 1.41 Describe in detail the current liabilities comprising the \$58,111 in “notes payable” listed in Exhibit 3.

- 1.42 Provide justification for the Life Years of the property listed in the Depreciation Schedule in Exhibit 3.
- 1.43 What “land” and “plant and equipment” listed in Exhibit 5 does Midlands Utility, Inc. own and where is it located? Indicate the years each was placed in service and its purchase price. Does this include the business office at 816 East Main Street in Lexington, South Carolina? Does it include other properties in Lexington County at SE/S of Fish Hatchery Road, S Side of Crosshill Road, property adjacent to 154 Parkwood Drive, property 0.1 mile NE of Nikon Circle; property in Orangeburg County on Oaklane Road N, property off Northwoods Drive in Dation Pond S/D; properties in Fairfield County; and properties in Richland County?
- 1.44 Subsequent to the last rate case, has there been any change in the ownership of Midlands Utility, Inc.? If so, provide a listing of the owners of the Company. Was the change in ownership approved by the Commission? If so, please identify the docket in which the Commission addressed the change of ownership of the Company?
- 1.45 List by year the total number of bills issued to customers during the years 2000, 2001, 2002, 2003, and 2004.
- 1.46 Provide a copy of the bank commitment letter to provide financing for construction project.
- 1.47 List the Midlands Utility, Inc. assets pledged for the loan referenced in the Application.
- 1.48 Provide the method of allocation for common expenses between DSI, Inc., Bush River Utilities, Inc., and Midlands Utility, Inc.
- 1.49 Provide a comparative statement and detailed work papers for expense categories and expenses by account number, including labor, for utility operations for the twelve-month periods ending June 30, 2000, 2001, 2002, 2003, and 2004.
- 1.50 Provide a comparative statement and detailed work papers for expense categories and expenses by account number, excluding labor, for utility operations for the twelve-month periods ending June 30, 2000, 2001, 2002, 2003, and 2004.
- 1.51 Provide a copy of the loan agreement referenced in the Application on page 4, paragraph 8, its applicable amortization schedule, and any other relevant documentation.
- 1.52 Provide a schedule showing when salaries of Midlands Utility, Inc. employees are paid and pay stubs for three consecutive pay periods for officers and staff.

- 1.53 Provide a schedule detailing the amount of bonuses received by Midlands Utility, Inc. officers, owners and employees during the test year.
- 1.54 Provide a depreciation schedule for all Midlands Utility, Inc. plant and equipment.
- 1.55 Provide the complete general accounting ledger for the 2004 test year.
- 1.56 Provide a schedule showing the number of billing units served by Midlands Utility, Inc. at June 30, 2004 for the following (treated by Midlands Utility, Inc. versus pass-thru.):
- a. Residential (single family/apartments)
 - b. Mobile Base
 - c. Car Washes
 - d. Churches
 - e. Factories (separated by those with no showers, with showers, and with kitchen facilities)
 - f. Food Services Operations (separated by those that are not 24-hour restaurants, are 24-hour restaurants, provide curb-side service, serve fast-food, and are a vending machine restaurant)
 - g. Institutions
 - h. Motels/Hotels
 - i. Nursing Homes (separated by those that do and do not provide laundry services)
 - j. Laundries
 - k. Offices
 - l. Picnic Parks
 - m. Assisted Living Homes (separated by those that do and do not provide laundry services)
 - n. Schools
 - o. Service Stations (separated by those with bays and without bays)
 - p. Shopping Centers
 - q. Swimming Pools
 - r. Theaters
 - s. Country Clubs, Fitness Centers, Spas, Health Clubs, and similar entities.
 - t. Convenience Store
 - u. All remaining customers not listed above.
- 1.57 Provide all work papers, documents, plats, maps, recordings or other items used to prepare the Application and its attached Exhibits.
- 1.58 Provide all documents discovered, identified or referred to by Midlands Utility, Inc. in preparation of the Application.
- 1.59 Provide all federal and state income tax returns signed and filed by Midlands Utility, Inc. for tax years 2000, 2001, 2002, 2003, and 2004. This request includes all supporting schedules and documents, such as 1099s, and the like, whether filed or not.

- 1.60 In Exhibit 3 on page 2, there is a reference to “New proposed Plants.” Provide detailed description and location of the “New proposed Plants”? Provide detailed information about the status of the necessary approval of the proposed plants (i.e., DHEC, local municipal approval, other state and federal approvals, etc.).
- 1.61 Provide justification of using the prescribed average life years of each of the items as outlined in Exhibit 3 on page 2.
- 1.62 What month(s) and year(s) were used to determine the list of customers indicated in Exhibit 2, pages 3 and 4?
- 1.63 Please provide a complete copy of the application Midland Utility, Inc. filed with the Department of Health and Environmental Control for approval of the new construction or upgrades to the current system. Include any exhibits, drawings, maps, cost information, technical background information, and any other documents relating to the application.
- 1.64 Has the Department of Health and Environmental Control (DHEC) approved the proposed construction or upgrades to Midlands Utility, Inc.? If so, provide documentation of DHEC’s approval. If not, has Midlands Utility, Inc. applied for approval? What is the current status of DHEC’s approval? What additional information does DHEC require to approve the proposed construction or upgrades? Provide any documents or information given to DHEC relating to a request for approval of the proposed construction or upgrades. Provide an estimated date for when DHEC will approve the proposed construction or upgrades.
- 1.65 What is the current status of Midland Utility, Inc.’s. compliance with DHEC Consent Orders, and specifically list penalty payments made in completion of Consent Order task?
- 1.66 Provide a copy of all contract terms and conditions for wastewater disposal with Treatment Providers listed on Exhibit 4 page 2.
- 1.67 Provide all calculations and amounts for Bad Debt Expense for 2001, 2002, 2003 and 2004. Include calculation of how these amounts were determined.
- 1.68 Explain what is meant by Mobile Base on Exhibit 4 page 2.
- 1.69 Provide the calculation for Plant Expansion and Modification fee of \$250/SFE (Exhibit 1, page 1). Explain in detail the services that are provided by this fee through the treatment entity.
- 1.70 Explain and provide detail cost justification for the increase in Tap Fees and Plant Expansion and Modification Fees on the New Rate Schedule in Exhibit 2, page 4.

- 1.71 How are tap fees recorded on the books of Midlands Utility, Inc.
- 1.72 Was an open bidding process utilized to allow multiple vendors to submit proposals for upgrading the Midlands Utility, Inc. WWTFs? If so, what were the proposals? Were multiple options considered before agreeing upon a specific proposal for addressing the compliance problems at the Midlands Utility, Inc? Is so, what were they?
- 1.73 What is Other Income of \$28,806 as shown on Exhibit 2, page 1? Explain Other Income of \$18,000 During Construction and After Construction.

As shown on Exhibit 3, page 1:

- 1.74 Provide details for amount “Due from Affiliates” of \$30,097.
- 1.75 Provide details for “Unamortized Loan Cost” of \$80,885.
- 1.76 Provide details for Customer Deposits of \$58,600? Does the Company pay interest on Customer Deposits?
- 1.77 Provide details for amount “Due to Affiliates” of \$1,683.
- 1.78 Explain the difference between total prior depreciation of \$2,388,062 (Exhibit 3, page 2) and the amount shown on the balance sheet (Exhibit 3, page 1) of \$2,474,339.

[End of questions referencing specific exhibits]

- 1.79 How much revenue from plant expansion and modification fees has Midlands Utility, Inc. collected from customers?
- 1.80 Provide the details for treatment expenses of \$265,021 for the base year and \$376,000 during and after construction as shown on Exhibit 2, page 1.
- 1.81 Provide a detailed breakdown for the “Salaries – Officers” category containing the amounts of \$55,192; \$75,000; and \$75,000 respectively on Exhibit 2, page 1. List the officers’ names and amounts paid.
- 1.82 Provide details of any and all lobbying activities conducted by or on behalf of the Company during the test year. List all entities lobbied, include all costs incurred in the lobbying activities, and include copies of invoices for lobbying services. Also specify for the test year the expense account in which lobbying services and expenses are included.

- 1.83 Has Midlands Utility, Inc. pursued alternative disposal methods (i.e., land application, recycled, etc.) for its sludge management method? If so, provide details of the alternatives explored. Include information about cost comparisons and other pertinent information for why an alternative was not selected or is not being used.

January 14, 2005

Wendy B. Cartledge
Florence P. Belser, Esquire
Wendy B. Cartledge, Esquire
Office of Regulatory Staff
P.O. Box 11263
Columbia, South Carolina 29211

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2004-297-S

2005 JAN 14 PM 3:53
COMM. CLERK
P. 10

IN RE: Application of MIDLANDS)
UTILITY, INC. for an Approval)
Of New Schedule of Rates and)
Charges For Sewage Service)
Provided to its Customers in)
Richland, Lexington, Fairfield and)
Orangeburg Counties.)
_____)

CERTIFICATE OF SERVICE

This is to certify that I, Cindy Clary, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the "Office of Regulatory Staff's First Continuing Data Request" in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Charles Cook, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, South Carolina 29205



Cindy Clary

January 14, 2005